

Options to ensure the domestic wholesale gas market delivers for Australians – Mandatory code

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About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Introduce a mandatory code of conduct on gas wholesalers to protect low- income consumers

ACOSS welcomes the opportunity to make a submission to the remaining part of the Government's consultation on the wholesale gas market, namely the proposal for a mandatory code of conduct.

In recent years, Australian gas producers have taken advantage of high international prices and diverted their resources to export rather than the domestic market, resulting in unprecedented high gas prices for consumers and record profits for producers. Since 2015, average gas wholesale prices have been between \$5 and \$10 a gigajoule. By early 2022, contract prices had sky-rocketed to be between \$25 and \$35 a gigajoule.¹ Moreover, the value of

¹ Australian Energy Regulator, Gas market prices. <https://www.aer.gov.au/wholesale-markets/wholesale-statistics/gas-market-prices>

Australian Liquefied Natural Gas (LNG) exports jumped from just over \$30 billion in 2020-21 to just over \$70 billion in 2021/2022.²

While gas wholesale prices halved in August 2022, due to warmer weather and lower demand, they remained historically high due to the high prices set in previous months. The October 2022 Federal Budget predicted a further increase in gas prices by 44% and electricity prices by 56% over next two years.³ The Government's energy market intervention announced on 9th December 2022 is projected to reduce the size of the increase but not eliminate it.⁴

In fact, despite wholesale prices declining in the latter half of 2022 and the Government's introduction of price caps on energy, energy retailers have recently announced an increase in customer tariffs for gas. According to Energy Australia's CEO, this reflects the high costs that retailers incurred last year to source new gas contracts.⁵ The CEO of Australian Energy Council has confirmed that many of the AEC's retailer members had already locked in their gas supplies for 2023 well before the Government's price cap was introduced. Therefore, she does not expect any significant relief on gas prices for consumers until 2024.⁶

In this context, the Government's proposal for a mandatory code of conduct on gas wholesalers provides one means of preventing further hikes in gas prices – hikes that people on low incomes simply cannot afford.

There are over 3 million people, including 761,000 children, living below the poverty line. They are already going without heating or cooling, having fewer showers, cooking less, and going without food and medicines to afford their energy bills.

People are telling us they do not have anything left in their budgets to cut back on and are at breaking point.⁷ ACOSS is deeply concerned about the further sacrifices people will be forced to make, including hunger, debt, disconnection or homelessness, as gas prices continue to soar. It is, therefore, critical that ongoing measures to curb future gas prices are undertaken urgently.

² 2022, 'Gas', *Resources and Energy Quarterly*, September, p76.

<https://www.industry.gov.au/sites/default/files/minisite/static/8f915ab4-c06d-41cf-98ee-5bc628230bdc/resources-and-energy-quarterly-september-2022/documents/Resources-and-Energy-Quarterly-September-2022.pdf>

³ Budget Paper No. 1 Budget October 2022-23 <https://budget.gov.au/2022-23-october/content/bp1/index.htm>

⁴ Energy Price Relief Plan, Federal Government media release, 9 December 2022. <https://www.pm.gov.au/media/energy-price-relief-plan>

⁵ Macdonald-Smith A 2023, 'Energy Australia customers hit with price increases', *The Financial Review*, 3 February. [https://www.afr.com/companies/energy/energyaustralia-customers-hit-with-price-hikes-20230203-](https://www.afr.com/companies/energy/energyaustralia-customers-hit-with-price-hikes-20230203-p5chrz#:~:text=Customers%20of%20the%20country's%20third,flow%20through%20to%20energy%20bills)

[p5chrz#:~:text=Customers%20of%20the%20country's%20third,flow%20through%20to%20energy%20bills](https://www.afr.com/companies/energy/energyaustralia-customers-hit-with-price-hikes-20230203-p5chrz#:~:text=Customers%20of%20the%20country's%20third,flow%20through%20to%20energy%20bills)

⁶ Ludlow M & Macdonald S 2023, 'Electricity prices will come down – just not yet', *The Financial Review* 20 January. <https://www.afr.com/companies/energy/electricity-prices-will-come-down-just-not-yet-20230120-p5ceb5>

⁷ Cortis N & Blaxland M 2022, *Helping people in need during a cost-of-living crisis: findings from the Australian Community Sector Survey*, Sydney: ACOSS <https://www.acoss.org.au/helping-people-in-need-during-a-cost-of-living-crisis-findings-from-the-australian-community-sector-survey/>

Recommendations

ACOSS strongly supports a mandatory code of conduct for gas wholesalers, which will increase necessary regulation of these companies. That is:

- Making the Australian Competition and Consumer Commission (ACCC) the arbiter of a reasonable gas price.
- Setting out a longer-term framework to contribute to reasonable cost-based gas pricing.
- Strengthening requirements on wholesalers around transparency, reporting, pricing, and timeframes for negotiating to make them more accountable. We note that the ACCC has identified that 85% of gas in Australia is produced by just five firms which regularly coordinate behaviour and fail to operate competitively.

We further propose that the Government:

- extend its commitment of a domestic gas price cap from one year to three years;
- establish a prospective domestic gas reserve; and
- implement a super profit tax on gas producers and exporters.

In addition to the recommendations above regarding gas measures, we have included an appendix outlining other actions the Government can take to relieve energy stress for people on low incomes.

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Appendix - Further recommendations to relieve energy stress for people on low incomes

Protections and Retailer Measures

- Update the Federal Government guidelines to the Australian Energy Regulator to set the Direct Market Offer at an efficient price by lowering retail margins, as has been done in Victoria.
- Require retailers to use disconnection as a last resort and ensure in person contact is made before they disconnect.
- Suspend debt collection procedures including via external debt collectors and ensure in-person contact is made to establish safe, reasonable payment arrangements, with debt write-offs to occur without delay if repayment is unsafe and unaffordable.
- Require retailers to ensure all customers who are struggling to pay their electricity or gas bills are moved to the best retail offer for their current circumstances.
- Retailers to urgently implement systems to ensure every customer who is entitled to a concession or rebate is receiving it.

Income and Cash Measures

- Provide emergency energy debt relief of up to \$2,000 per household to reduce energy debt for 270,000 people. This could be done in partnership with retailers.
- Reduce energy bills for people on low incomes by exempting them from the Small-scale Renewable Energy Scheme (SRES) and the Large-Scale renewable Energy Target (LRET).
- Work with State and Territory colleagues to fix energy concessions so they are more adequate, responsive to price changes and targeted so greatest help goes to those who need it the most (ACCC recommendation).
- The Federal Government to permanently increase JobSeeker and related payments to \$74 a day indexing to CPI and wages, and increase Commonwealth rent assistance by 50%.

Demand measures

- The Federal, State and Territory Governments co-invest in electrification, energy efficiency and solar upgrades program for low-income housing.

Governance

- Create an Agency to monitor reforms to reduce energy hardship, improve energy affordability and ensure people experiencing social and financial disadvantage benefit from the energy transition.